

U.S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250

DEPARTMENTAL REGULATION		NUMBER: 2200-002
SUBJECT: Capitalization and Depreciation of Real and Personal Property	DATE: February 28, 1994	
	OPI: Office of Finance and Management	

PURPOSE

This regulation provides the updated policy for the capitalization and depreciation of real property and personal property, including Working Capital Fund (WCF) property, that is owned or acquired with agency funds or through the result of agency activities. It also recognizes the effect of inflation since the last increase in the capitalization threshold.

2 CANCELLATION

This regulation revises Departmental Regulation 2200-2, Departmental Criteria for Capitalization of Personal Property, dated January 19, 1983.

3 BACKGROUND

During the audit of the Department of Agriculture's (USDA) Fiscal Year (FY) 1992 Consolidated Financial Statements, the Office of Inspector General (OIG) found that USDA agencies were not consistent in capitalizing similar items of real or personal property. As a result, DIG recommended that the Department update the policy for depreciating and capitalizing real and personal property to obtain Department-wide consistency, and also to conform to the current General Accounting Office's (GAO) threshold for capitalizing and depreciating such property.

4 SCOPE

The policy set forth below is applicable to all agencies.

5 POLICY

a Real Property.

(1) Each agency shall establish criteria for the control, security, valuing, and tracking of real property in accordance with the Agriculture Property Management Regulations (AGPMR) 104-51.205.

(2) Each agency shall capitalize In its accounting records a tangible real property asset as follows:

(a) all land and easements, regardless of value, cost or purchase price;

(b) all other real property assets when their useful life is 2 or more years, and acquisition cost or established value, if donated, constructed, or obtained through other agency activities, is \$5,000 or greater; or

(c) any major improvements to or upgrading to a higher standard of an existing capitalized asset when, subject to the criteria in subparagraph (b), the asset's value is increased or its useful life is extended.

b Personal Property.

(1) Each agency, if they have not previously established an agency policy, shall establish criteria for the control, security, and tracking of personal property in accordance with AGPMR 104-51.204.

(2) Each agency shall capitalize in its accounting records each individual-tangible component of personal property as tracked in the Property Management Information System (PMIS) or other personal property tracking system, when the following criteria are met:

(a) useful life is 2 or more years; and

(b) acquisition cost, or established value if donated, constructed, or obtained through agency activities is \$5,000 or greater.

(3) Agencies may issue written directions to capitalize the acquisition of personal property with a cost or value of less than \$5,000 in the following situations:

(a) current costs would be distorted in a given reporting period by charging to expense the acquisition of a large quantity of components not meeting the criteria in paragraph (1).

Such items may be grouped in a separate asset group account and capitalized;

(b) the component is procured and controlled within a WCF activity; or

(c) specifically authorized in writing by the Director, Office of Finance and Management (OFM).

c Depreciation of Real and Personal Property.

(1) Capitalized real and personal property, other than land, shall be depreciated over the asset's estimated life. Attached is a listing of the estimated average life for common types of capitalized assets.

(2) Each agency shall report depreciation expense for real and personal property in their combined financial statements.

6 RESPONSIBILITY

a OFM is responsible for accounting guidelines within the Department, including the guidance for capitalizing and depreciating real and personal property.

b The Office of Operations (OO) is responsible for Property Management. The AGPMR, Section 104-50, prescribes the authorities, policies, and related Departmental requirements governing property management. Also, the Department's PMIS, administered by OO, provides detailed information for personal property and meets the guidelines of the GAO.

7 DEFINITIONS

a Depreciation. The loss in service value of property measured in terms of cost allocated to a period of time (AGPMR 104-50.001-5).

b Depreciation Accounting. The process of allocating and charging to expense the cost of a limited-life, long-term asset such as buildings and equipment over its useful life.

c Depreciation Expense. The portion of cost of a depreciable asset charged to expense in a given accounting period.

d Capital Expenditures. Costs incurred for new or used assets, additions to existing assets, or betterments or improvements to existing assets that are charged to asset accounts because they

add to the total service-rendering ability
of the asset.

e Personal Property. Tangible possessions such
as furniture, machinery, and equipment.

f Real Property. Any interest of the United
States in land, buildings, or structures,
including any permanently attached fixtures,
appurtenances, and improvements of any kind
located thereon (AGPMR 104-50.001-15).

8 APPLICABILITY

The regulation is applicable for all FY 1993 procurements,
and future procurements or activities that create real or
personal property. Agencies should not remove or
decapitalize any item of real or personal property as a
result of the issuance of this regulation. Agencies shall
continue to depreciate existing capitalized assets and
remove them only when sold, abandoned, or obliterated.

9 INQUIRIES

Questions concerning this regulation should be directed to
the Financial Systems Division, OFM, at (202) 720-1200.

-END-

APPENDIX A

Capitalized Asset Estimated Useful Life

Range of Useful Life

Description (years)**PERSONAL PROPERTY ***

Capitalized Equipment, not included elsewhere 05

ADP Software and Equipment	05 - 08
Aircraft	20
Cooling Equipment	10
Furniture and Fixtures	06 - 10
Motor Vehicles, including WCF Fleet	04 - 15
Office Machines	05
Photo Lab Equipment & offset presses	15
Radio and Communication	07
Reproduction machinery and equipment	05 - 08
Snow telemetry equipment	08
Telephone Equipment	06 - 08

Machinery and Industrial Equipment, not included elsewhere 05 -08

Agricultural	07
Engineering	05
Laboratory	07
Miscellaneous motor equipment	06

REAL PROPERTY

Buildings	30-32
Communication Systems and Improvements	15
Continuing Easements **	
Dams and Holding Ponds	50
Land **	
Leasehold-Improvements and Term Easements	10-30
Roads, Trails and Bridges	10-50
Prism **	
Utility Systems and Improvements	15
Other Improvements not covered elsewhere	20

* See also the table used by NFC to depreciate personal property by budget object.

** These are items with an unlimited useful life.